

VZCZCXYZ0015
PP RUEHWEB

DE RUEHLP #1666/01 1661626
ZNR UUUUU ZZH
P 151626Z JUN 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 3982
INFO RUEHAC/AMEMBASSY ASUNCION 6864
RUEHBO/AMEMBASSY BOGOTA 4209
RUEHBR/AMEMBASSY BRASILIA 8093
RUEHBU/AMEMBASSY BUENOS AIRES 5343
RUEHCV/AMEMBASSY CARACAS 2578
RUEHPE/AMEMBASSY LIMA 2730
RUEHMD/AMEMBASSY MADRID 3511
RUEHMN/AMEMBASSY MONTEVIDEO 4674
RUEHQT/AMEMBASSY QUITO 5209
RUEHSG/AMEMBASSY SANTIAGO 9806
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUEHUB/USINT HAVANA 0368
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 001666

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/AND
STATE FOR EEB/ESC/IEC MAUEL AND HAENDLER
STATE FOR EEB/ESC/IEC/ENR HAYMOND
TREASURY FOR SGOOCH

E.O. 12958: N/A
TAGS: [ECON](#) [EINV](#) [EMIN](#) [ENRG](#) [EPET](#) [BL](#)
SUBJECT: BOLIVIA: EITI RESPONSE PENDING

REF: A. STATE 75118

[1](#)B. LA PAZ 870
[1](#)C. LA PAZ 1618

Summary

[1](#)1. (SBU) The DFID letter referred to in ref A was delivered June 12; the GOB has not yet responded. The British DCM told Emboffs on June 13 that he does not expect the GOB to prioritize the Extractive Industries Transparency Initiative (EITI), but hopes to encourage steps toward membership through Norwegian technical assistance and potential World Bank funding. He noted that U.S. involvement in promoting EITI would most likely hinder the effort. Bolivia's hydrocarbons sector is in flux as the GOB seeks to implement its "nationalization" policies and revamp the state oil company YPFB. Once the sector stabilizes, Bolivia may be in a better position to implement EITI. President Morales vetoed a bill in May that would have required YPFB to publish its revenues, but reportedly plans to present a substitute bill with similar requirements to congress later this month. The vice minister of mining told Emboff on June 1 that it was unlikely that an employee from the mining ministry would be appointed to manage EITI due to resource constraints. End summary.

EITI Letter Response Pending

[1](#)2. (SBU) The DFID letter referred to in ref A was delivered to President Morales and the hydrocarbons and mining ministers on June 12. The GOB has not yet responded.

British DCM Steve Townsend told Emboffs on June 13 that he does not expect the GOB to prioritize the Extractive Industries Transparency Initiative (EITI), but hopes to encourage steps toward membership through Norwegian technical assistance and potential World Bank funding. He noted that U.S. involvement in promoting EITI would most likely hinder the effort.

Hydrocarbons Sector in Flux

13. (SBU) In May 2005, a new hydrocarbons law was passed. In May 2006, the GOB issued a decree "nationalizing" the hydrocarbons sector. Both of these norms implied serious changes to the industry, which have been difficult to implement. The cornerstone of the GOB plan, state company YPFB, lacks the capacity to assume its new role. Amidst all of these changes, and with frequent changes in the GOB cabinet, the government has not focused on EITI. Although the purported purpose of the "nationalization" is to return Bolivia's gas to its people for their benefit, which seems to be in line with the EITI goals, the GOB appears more internally focused on its processes of change than interested in participating in international initiatives. Some gas companies, including British Gas, are interested in EITI, as are the Norwegians who are providing technical assistance to YPFB. Once the sector stabilizes, Bolivia may be in a better position to move forward with EITI.

Transparency Law Vetoed

14. (SBU) When new hydrocarbons contracts were approved by the Bolivian congress in April (ref B), the congress also passed the Hydrocarbons Sustainable Development Law, which would have eliminated the hydrocarbons surtax, replacing it with Annex F of the new contracts. Annex F determines how the earnings from company operations are split between Bolivia's state oil company YPFB and the companies through a complex table of variables and equations which vary by gas field. The law would have required that YPFB publish its revenues from Annex F on a periodic basis to ensure transparency. However, President Morales vetoed the law in May. The hydrocarbons minister announced in early June that a substitute bill will be presented to congress later that month. Presently, the payment mechanisms between YPFB, private companies, the Bolivian tax service, and buyers are in flux, uncertain, and not transparent.

Mining Ministry Says EITI Unlikely

15. (SBU) Emboff attended a separate meeting with the vice minister of mining on June 1 (ref C) in which the vice minister admitted that he was unfamiliar with EITI and that no one had been appointed to head EITI issues. He added that it was unlikely that someone from his ministry would be appointed due to the ministry's lack of human and financial resources. (Note: The day of the meeting, local media reported the mining minister's recent announcement that half of the minerals exported from Bolivia leave the country illegally, resulting in lost taxes of USD 70 million. Much of this unregistered exodus of minerals was attributed to independent miners and thieves who target independent miners.)
URS